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DATA PRO LIMITED



ANNUAL REPORT

FOR THE YEAR ENDED FEBRUARY 28, 1971

HEAD OFFICE
Corporate House
376 Richmond Street
London 12, Canada

DIRECTORS
George A. Demeyere
Nick C. More, B.A., C.A.
Frederick G. W. Berlet
Brian J. Bentley
Eugene J. Demeyere
Andrew More
Cyril J. Demeyere Jr., B.Sc., P.Eng.

OFFICERS
George A. Demeyere
Chairman, Board of Directors
Nick C. More, B.A., C.A.
President
Brian J. Bentley
Executive Vice-President

Frederick G. W. Berlet
Vice-President
Philip T. Mitches, B.Sc., L.L.B.
Secretary-Treasurer

LEGAL COUNSEL
Mitches & Mitches
Barristers & Solicitors

Mitches & Co.
Patent and Trade Mark Agents
London, Canada

AUDITORS
McDonald, Currie & Co.
Chartered Accountants
London, Canada

REGISTRAR & TRANSFER AGENT
Canada Permanent Trust Company
London — Toronto

ANNUAL REPORT TO THE SHAREHOLDERS

We present for your information our report on the operations of your company for the fiscal year ended February 28, 1971.

In our semi-annual report of August 31, 1970 we indicated our exposure to depressed economic conditions accompanied by customer reaction which is expected to prevail as long as the current environment continues. This situation was existant throughout the last six months of the 1971 fiscal year and in certain areas it in fact became more severe. The effect was particularly noticeable with customers or prospective users of our services whose dataprocessing requirements involved applications directly related to the production volumes of their businesses.

During 1968 and 1969 the computer utility industry was faced with a major influx of new companies. Unfortunately, the approach used by the management of many of these companies has had a detrimental effect not only on the computer industry in general, but as well on the outlook of the public without whose support many would not have had the opportunity of entering the field in the first place. The theoretical forecasts of high earnings in fact became pictures revealing major losses. The tight economy brought forth extreme and unreasonable price competition and unrealistic approaches to the operation of businesses. In many cases the result has been a severe erosion of capital investment and business failures at a rate probably never before experienced in any other industry. It could take some time to sufficiently strengthen and regain the confidence which investors and users of computer services have lost in the industry.

During early 1970 we recognized that the operations of branches in Southfield and Winnipeg were not reaching our expectations. Although losses can always be accepted when first developing new marketing areas, we assessed the situation at these locations as one requiring immediate action on our part. The course followed was entirely for reasons of operating economy rather than the lack of confidence in the market potential in the respective areas. In October 1970 the office premises in Winnipeg were physically closed with the servicing of existing customers and marketing functions converted to a marketing agency basis. Subsequently, in January 1971, the operations of the Southfield branch office were merged into those of the Dearborn branch. Since that time we have experienced not only more economical operations but a greater degree of efficiency in customer service. We are convinced that our U.S. branch will be a major factor in the future progress of our Company.

During the 1971 fiscal year losses in our branches were slightly in excess of \$80,000. Because the branches were not in operation for the complete 1970 fiscal year this factor should be considered when comparing the operations of 1971 with those of the previous year. We believe that the reorganization of our branch structure, coupled with a more intensive marketing approach, will result in a significant improvement in the profit picture for 1972.

The cost of software development continued to be a problem, although not to the same degree it was the year previously. Our concentration on highly flexible computer packages has placed us in a position where we can offer a virtually unlimited variety of management reports, involving little or no initial costs to the recipient. This is of particular importance to new users of our services. We are strongly convinced that our major management information systems can fulfill the most stringent requirements of modern and progressive business, with the result that we are in a most enviable position in the computer service field.

Considering what has transpired within our industry and the general economic situation during the last fiscal period, management feels that progress has been made in establishing DATAPRO as one of the most stable dataprocessing service companies in existence today. We are confident that the same sales growth which was experienced last year will be maintained and we believe that with continued concentration on cost control, it will be possible to reverse the negative trend reflected in net earnings for the last fiscal year.

We look to the future with optimism.

Respectfully submitted on behalf of your Board of Directors.

May 14, 1971

N. C. More, C.A.,
President.

DATAPRO LIMITED



STATEMENT OF DEFICIT FOR THE YEAR ENDED FEBRUARY 28, 1971

	1971	1970 (As Restated)
Balance - Beginning of Year,		
As Previously Reported	\$ 22,827	\$ 63,349
Adjustment of Prior Year		
— Deferred Income Taxes	—	3,531
— Expenses	7,445	—
	<u>7,445</u>	<u>3,531</u>
Balance as Restated	30,272	66,880
Net Earnings (Loss) for the Year	(1,603)	36,608
Balance - End of Year	<u>\$ 31,875</u>	<u>\$ 30,272</u>

STATEMENT OF EARNINGS FOR THE YEAR ENDED FEBRUARY 28, 1971

	1971	1970 (As Restated)
Revenue from Data Processing	\$588,582 ✓	\$370,059 ✓
Expenses		
Processing, Selling and Administration	480,631	296,297
Depreciation, Including Amortization of Leasehold Improvements	46,339	30,399
Amortization of Deferred Charges (Notes 1, 2 and 4)	71,259	33,233
	<u>598,229</u>	<u>359,929</u>
	(9,647)	10,130
Interest from Investments	7,017	24,644
Less: Foreign Exchange Gain (Loss)	(3,587)	2,917
	<u>3,430</u>	<u>27,561</u>
Earnings (Loss), Before Income Taxes and Extraordinary Item	(6,217)	37,691
Income Taxes — Current	—	8,026
— Deferred (Note 5)	(4,614)	1,083
	<u>(4,614)</u>	<u>9,109</u>
Earnings (Loss), Before Extraordinary Item (Note 8)	(1,603)	28,582
Extraordinary Item		
Reduction of Income Taxes on Application of Losses of Prior Years	—	8,026
Net Earnings (Loss) for the Year (Note 8)	<u>(\$ 1,603)</u>	<u>\$ 36,608</u>

STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED FEBRUARY 28, 1971

	1971	1970 (As Restated)
Source of Funds		
Net Earnings (Loss) for the Year	(\$ 1,603)	\$ 36,608
Add: Charges Not Requiring Cash Outlay in the Year		
— Depreciation	46,339	30,399
— Amortization of Deferred Expenses	71,259	33,233
— Deferred Income Taxes	(4,614)	1,083
— Organization Expenses	—	560
	<u>111,381</u>	<u>101,883</u>
Proceeds of Issue of Capital Stock	—	30,000
	<u>111,381</u>	<u>131,883</u>
Use of Funds		
Purchase of Fixed Assets	15,347	436,642
Deferred Charges	151,912	174,207
Deferred Financing Expenses	—	427
	<u>167,259</u>	<u>611,276</u>
Decrease in Working Capital	<u>\$ 55,878</u>	<u>\$479,393</u>
Working Capital - Beginning of Year	\$191,870	\$671,263
Decrease in Working Capital	55,878	479,393
Working Capital - End of Year	<u>\$135,992</u>	<u>\$191,870</u>

BALANCE SHEET AS AT FEBRUARY 28, 1971

ASSETS	1971	1970	LIABILITIES	1971	1970 (As Restated)
Current Assets			Current Liabilities		
Short Term Deposit - Royal Bank	\$100,000	\$145,000	Bank Advances	\$ 56,890	\$ 16,610
Accounts Receivable	130,130	100,779	Accounts Payable and Accrued Expenses	63,824	65,762
Unbilled Services, At the Lower of Cost or Net Realizable Value	—	4,648		<u>120,714</u>	<u>82,372</u>
Inventory of Supplies, At Cost	21,394	15,902	Deferred Income Taxes (Note 5)	—	4,614
Prepaid Expenses	5,182	7,913			
	<u>256,706</u>	<u>274,242</u>			
Deferred Charges			SHAREHOLDERS' EQUITY		
Systems and Programming (Note 1)	206,257	112,186	Capital Stock (Notes 6 and 8)		
Area Development (Note 2)	53,688	57,345	Authorized		
	<u>259,945</u>	<u>169,531</u>	— 1,000,000 Common Shares Without Par Value		
Fixed Assets			Issued and Fully Paid		
Equipment, Furniture and Fixtures, At Cost Less Accumulated Depreciation (Note 3)	363,896	405,418	— 457,506 Common Shares	811,000	811,000
Leasehold Improvements, At Cost Less Amounts Written Off	13,425	6,789	Deficit	31,875	30,272
	<u>377,321</u>	<u>412,207</u>		<u>779,125</u>	<u>780,728</u>
Other Assets					
Deferred Financing Expenses (Note 4)	5,867	11,734		<u>\$899,839</u>	<u>\$867,714</u>
	<u>\$899,839</u>	<u>\$867,714</u>			
Approved on behalf of the board					
GEORGE A. DEMEYERE, Director					
N. C. MORE, Director					

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Datapro Limited as at February 28, 1971 and the statements of earnings, deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at February 28, 1971 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada
May 14, 1971

McDONALD, CURRIE & CO.,
Chartered Accountants.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 1971**

1. Deferred Systems and Programming Charges

Expenses incurred in the development of Standard Package and Special Customized Programs are being amortized over five years and three years respectively from the date such programs are in operation and will be fully amortized in the event they are no longer marketable. New programs under development are included in the deferred balance but provision for amortization will not be recorded until such programs become operational.

2. Area Development

Area development expenses incurred in the first six months of operations in an area are being amortized over a three year period commencing from the date of opening each area. The balance of such development expenses will be fully amortized should marketing operations be terminated in an area.

3. Equipment, Furniture and Fixtures

	1971	1970
Automotive	\$ 3,640	\$ 3,640
Processing Equipment	383,229	383,229
Magnetic Tapes	4,765	3,993
Furniture and Fixtures	50,127	48,694
	<u>441,761</u>	<u>439,556</u>
Less: Accumulated Depreciation	77,865	34,138
	<u>\$363,896</u>	<u>\$405,418</u>

4. Deferred Financing Expenses

Deferred financing expenses are being amortized in equal annual amounts over a period of three years commencing March 1, 1969.

5. Current and Deferred Income Tax

In aggregate, depreciation and financing expenses have been recorded in the accounts in excess of the amounts claimed for income tax purposes. This has resulted in the elimination of the accumulated deferred income tax liability to February 28, 1970 of \$4,614. In addition, the application of losses forward from prior years have eliminated current income taxes otherwise payable. No provision has been made in the accounts to reflect the potential reduction of income taxes payable in future years which are estimated to total \$7,300.

6. Capital and Share Options

In the year no Common Shares were issued under options entered into February 1, 1969, granted to two senior officers of the Company. The agreement provides for the purchase of up to 7,500 shares in each of the years ending February 28, 1970, 1971, 1972, at a price of \$4 per share.

7. Lease Commitments

Commitments for premises, under lease agreements which extend beyond one year from February 28, 1971, require annual payments as follows:

- a) London: to June 1975 - \$20,692 increasing thereafter to June 1978 - \$22,064
- b) Dearborn: to November 1975 - \$7,200 U.S.

8. Earnings Per Share

	1971	1970
Common Shares - Issued and Fully Paid	457,506	457,506
Earnings (Loss), Before Extraordinary Item	\$ (1,603)	\$ 28,582
Earnings (Loss) Per Share	(0.4¢)	6.2¢
Net Earnings (Loss) for the Year	\$ (1,603)	\$ 36,608
Earnings (Loss) Per Share	(0.4¢)	8.0¢

The exercise of share options (Note 6), had they occurred at the beginning of the fiscal year, would not have had a material effect upon the loss per share and accordingly fully diluted earnings have not been reported.

9. Foreign Exchange

Transactions during the year in U.S. dollars have been converted in the accounts to Canadian dollars at the exchange rates effective on the dates of the transactions. Assets and liabilities in U.S. dollars have been converted to Canadian dollars at exchange rates in effect February 28, 1971.

10. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Company to the five highest paid employees, including directors and senior officers, was \$93,903. No remuneration was paid to directors as such.

11. Litigation

Litigation is pending in connection with a claim for \$8,600 U.S. relating to tenant's improvements in Dearborn, Michigan. In the opinion of Counsel, a settlement of \$5,000 is anticipated and has been provided in the accounts. By its nature there is no effect on operating results for the year.

12. Post Balance Sheet Events

The Company entered an agreement February 24, 1971, to acquire a 50% interest in a Company to be formed to provide computer education facilities. As of March 3, 1971, 20,000 Common Shares without par value were acquired in Datapro - Wells Academy Limited at a cost to be determined on the basis of its net earnings for the first fiscal period. This Company does not offer its securities to the public.



DATAPRO LIMITED
ELECTRONIC DATA PROCESSING

Head Office:
1925 Dundas Street,
London, Ontario.

Branch Offices:
205 Notre Dame Avenue,
Winnipeg, Manitoba.

Suite 304, 16000 West Nine Mile Road,
Southfield, Michigan.

1800 Grindley Park,
Dearborn, Michigan.

**DATAPRO LIMITED IS AN INDEPENDENT
COMPUTER SERVICE BUREAU OFFERING:**

- * *General Ledger and Financial Statements*
- * *Accountants Time Charges, Time Analysis and Work - In - Process Reports*
- * *Straight-Line Depreciation Reports*
- * *Mortgage Calculations*
- * *Invoicing*
- * *Accounts Receivable Statements and Aged Trial Balance*
- * *Sales Analysis*
- * *Accounts Payable Distribution, Cheques and Remittance Advices*
- * *Inventory Control (Perpetual and Annual)*
- * *Medical Patient Statement Preparation*
- * *Assessment and Tax Rolls and Notices Voters lists*
- * *Statistical Analyses*
- * *Payroll (Customized and Standard) and related reporting*
- * *Production Control*
- * *Computerized T1 General Income Tax Returns*

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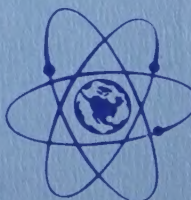
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AR43

**INTERIM REPORT
TO SHAREHOLDERS
FOR THE SIX MONTHS
ENDED AUGUST 31, 1969**

DATAPRO LIMITED

ELECTRONIC DATA PROCESSING



455-9110 Sil **DATAPRO LIMITED**

SEMI-ANNUAL REPORT
AUGUST 31, 1969

To the Shareholders:

Presented for your interest are the unaudited balance sheet of your Company as at August 31, 1969 and the results of its operations for the six month period ended on that date. Figures for the comparative period of the previous year are also included.

We are pleased to announce that branches in Winnipeg and Southfield are now both operational. The Company is entering into the rapidly expanding field of input data preparation, this service being aimed at the financial and automotive industries. To facilitate our marketing efforts, particularly toward the latter, new office premises have been established in Dearborn, Michigan.

Extensive efforts have been applied on software development during the past six months in order to strengthen even more our competitive situation. Management plans a continued stress in this area.

Although the operations of the Company are not of a seasonal nature, a marked increase in revenue can be expected in the first and last quarters of any fiscal year due to the impact of the DATAPRO Computerized T-1 General Income Tax Program. Plans have been formulated to market this package on a national basis through sales representation in each province.

N.C. More. C.A.
President.

October 28, 1969.

DATAPRO LIMITED

UNAUDITED FINANCIAL STATEMENTS - AUGUST 31, 1969
BALANCE SHEET AS AT AUGUST 31, 1969

BALANCE SHEET AS AT AUGUST 31, 1969

ASSETS		LIABILITIES			
	1969	1968			
Current Assets			Current Liabilities		
Cash	\$ 21,909	\$ 9,416	Bank Advances	\$ —	\$ 35,739
Short-Term Deposit - Royal Bank, Due October 15, 1969	312,000	—	Accounts Payable and Accrued Expenses	112,604	13,714
Accounts Receivable	58,063	33,086	Sundry Taxes Payable	4,099	1,164
Unbilled Services, At the Lower of Cost or Net Realizable Value	3,463	2,004		116,703	50,617
Inventory of Supplies	5,277	4,214	Long-Term Debt		
Prepaid Expenses	3,236	437	Shareholders' Loans	—	69,000
	403,948	49,157			
Fixed Assets					
Furniture and Equipment, At Cost	430,185	7,113			
Accumulated Depreciation	14,935	3,679			
	415,250	3,434			
Leasehold Improvements, At Cost Less Amounts Written Off	1,013	59			
	416,263	3,493			
Other Assets					
Organization Expense	560	560			
Deferred Financing Expenses, Less Amounts Written Off	14,668	—			
Deferred Charges, Less Amounts Written Off	70,401	2,708			
	85,629	3,268			
	\$905,840	\$ 55,918			

SHAREHOLDERS' EQUITY (DEFICIT)	
Capital Stock	
Authorized	
— 1,000,000 Common Shares Without Par Value	
Issued and Fully Paid	
— 457,506 Common Shares (1968 - 210,000 Shares as Adjusted After Subdividing the Issued Common Shares)	811,000
Deficit	(21,863)
	789,137
	\$905,840

	10,500
	(74,199)
	(63,699)
	\$ 55,918

SHAREHOLDERS' EQUITY (DEFICIT)	
Capital Stock	
Authorized	
— 1,000,000 Common Shares Without Par Value	
Issued and Fully Paid	
— 457,506 Common Shares (1968 - 210,000 Shares as Adjusted After Subdividing the Issued Common Shares)	811,000 10,500
Deficit	(21,863) (74,199)
	<u>789,137 (63,699)</u>
	<u>\$905,840 \$ 55,918</u>

STATEMENT OF SOURCE AND USE OF FUNDS FOR SIX MONTHS ENDED AUGUST 31, 1969

	1969	1968
Source of Funds		
Net Earnings for the Period	\$ 41,486	\$ 19,645
Add:		
Charges Not Requiring Cash Outlay		
— Depreciation	10,528	360
— Amortization	9,057	198
	61,071	20,203
Proceeds of Issue of Capital Stock	30,000	—
	91,071	20,203
Use of Funds		
Purchase of Fixed Assets	420,876	678
Deferred Financing Expenses	427	—
Deferred Charges	53,786	605
	475,089	1,283
Increase (Decrease) in Working Capital	<u>(\$384,018)</u>	<u>\$ 18,920</u>

STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR SIX MONTHS ENDED AUGUST 31, 1969

	1969	1968
Revenue from Data Processing	\$160,744	\$113,941
Expenses		
Processing, Selling and Administration	115,773	93,738
Depreciation, Including Amortization of Leasehold Improvements	10,528	360
Amortization of Deferred Charges	9,057	198
	135,358	94,296
	25,386	19,645
Interest from Investments	16,100	—
Earnings, Before Income Taxes	41,486	19,645
Income Taxes	9,766	4,624
Earnings, Before Extraordinary Item	31,720	15,021
Extraordinary Item		
Reduction of Income Taxes on Appli- cation of Losses of Prior Years	9,766	4,624
Net Earnings for the Period	41,486	19,645
Deficit - Beginning of Period	63,349	93,844
Deficit - End of Period	<u>\$ 21,863</u>	<u>\$ 74,199</u>
Per Share Earnings	9.1¢	9.4¢
(1969 - 457,506 Shares; 1968 - 210,000 Shares as adjusted after subdividing the issued Common Shares)		